

Message Text

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ACTION XMB-04

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 OPIC-03
SP-02 LAB-04 EPG-02 SIL-01 OMB-01 OES-07 FEA-01
/064 W

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R 080305Z JUN 77
FM AMEMBASSY MUSCAT
TO SECSTATE WASHDC 3323

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STATE PASS TO EXIMBANK

E.O. 11652: N/A
TAGS: EGEN, BEXP, MU

REF: STATE 128853

1. WE BELIEVE THAT THE BRICK AND CONCRETE BLOCK PLANT COMPLEX IS A WORTHWHILE AND INTERESTING PROJECT. AT PRESENT, INEFFICIENT, SMALL PRODUCERS SUPPLY BRICKS AND CONCRETE BLOCKS USING IMPORTED CEMENT AND LIME. THE PROPOSED PLANT SHOULD BE MUCH MORE EFFICIENT AND COUPLED WITH A PROPOSED KUWAITI-FINANCED CEMENT PLANT, SHOULD ENABLE OMAN TO SATISFY MOST OF ITS BUILDING MATERIAL NEEDS LOCALLY.

2. WE ARE CONCERNED THAT THE MARKET FOR CONCRETE BLOCK AND BRICKS MAY NOT BE SUFFICIENT TO MAKE THE PROJECT TRULY PROFITABLE. THE PRESENTLY SLACK MARKET FOR RESIDENTIAL HOUSING AND OFFICES IN OMAN IS NOT EXPECTED TO REVIVE FOR SEVERAL YEARS. OMANI PROJECT PARTNERS EXPECT A PAYBACK PERIOD OF 3 OR 4 YEARS, BUT STAGNANT DEMAND FOR THE PLANT OUTPUT COULD DRASTICALLY LOWER PROFITABILITY. WHILE THE OMANI

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GOVERNMENT IS PLANNING A NUMBER OF INDUSTRIAL PROJECTS NORTH OF SEEB, WE DOUBT THAT BRICK/BLOCK PLANT PRODUCTION WILL BE ESPECIALLY SUITED FOR INDUSTRIAL PLANTS. CITIBANK'S MUSCAT BRANCH HAS BEEN APPROACHED BY LOCAL SHAREHOLDERS FOR A PROJECT LOAN, BUT CITIBANK IS HOLDING OFF UNTIL MARKET PROSPECTS ARE CLEARER.

3. IF DEMAND FOR RESIDENTIAL AND OFFICE CONSTRUCTION PICKS UP, PRODUCT MIX WILL BE GOOD SINCE OMANIS GREATLY PREFER CONCRETE BLOCKS TO BRICKS AS A BUILDING MATERIAL. MARKET PRICES IN PULLMAN STUDY MAY BE TOO LOW: BAGGED LIME IS QUOTED AS MUCH AS DOLS. 200 PER TON AND CONCRETE BLOCK PRICES VARY FROM DOLS. 0.512 PER HOLLOW BLOCK TO DOLS. 0.778 PER SOLID BLOCK. WE ARE UNSURE, HOWEVER, HOW GREAT IS THE DEMAND FOR BAGGED LIME WHICH PROJECT MANAGERS CONSIDER TO BE A MAIN ELEMENT IN CALCULATIONS FOR A QUICK PAYBACK.

4. RAW MATERIALS ARE AVAILABLE LOCALLY. A CEMENT PLANT SHOULD BE GOING INTO OPERATION IN TWO OR THREE YEARS. ABOUT 250,000 CUBIC METERS OF LIMESTONE ROCK WILL BE PROCESSED EACH YEAR AND RESERVES ARE SUFFICIENT FOR AT LEAST 200 YEARS. WATER SUPPLIES MAY BE CONSTRAINED; WHILE THE PROJECT WILL BE DRAWING WATER FROM ITS OWN WELLS, IT MAY ALSO BE NECESSARY TO LINK UP WITH THE GHUBRA DESALINIZATION PLANT. WE BELIEVE THAT THE PLANT COMPLEX MUST HAVE ITS OWN GENERATOR AND NOT RELY ON THE GHUBRA POWER PLANT, SINCE OMAN WILL BE FACED WITH SEVERAL YEARS OF SEVERE POWER SHORTAGES STARTING IN 1978. THE ENERGY SOURCE FOR THE PLANT WILL PROBABLY BE DERIVED FROM THE NATIONAL GAS PIPELINE (EXPECTED TO BE FINISHED BY MID-1978).

5. WE BELIEVE THAT SUBSTANTIAL KUWAITI INVESTMENT IN PROJECT WILL HELP ENSURE THAT THE PLANT IS WELL MANAGED AND PROFITABLE. THE PLANT HAS ATTRACTED CAPITAL ACROSS THE WHOLE SPECTRUM OF OMAN'S BUSINESS COMMUNITY. IN ADDITION TO PROMINENT OMANIS LISTED IN REFTEL, MAJOR OMANI TRADING FIRMS SUCH AS THE DARWISH, BAHWAN, W.J. TOWELL AND HASHAR COMPANIES HAVE PURCHASED SHARES LIMITED OFFICIAL USE

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IN THE PROJECT. THE WIDE SPREAD OF SHAREHOLDERS SUGGESTS THAT OMANI TRADING COMPANIES ARE DETERMINED TO MAKE A SUCCESS OF THIS VENTURE.
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Message Attributes

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Sent Date: 08-Jun-1977 12:00:00 am
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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
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Disposition History: n/a
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